

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

**THE APPLICATION OF THE CORINTH WATER
DISTRICT FOR APPROVAL OF A PROPOSED
INCREASE IN RATES FOR WATER SERVICE**

)
) **CASE NO. 2003-00392**
)

RECEIVED

OCT 08 2003

**PUBLIC SERVICE
COMMISSION**

STATEMENT AND NOTICE

Corinth Water District ("Corinth"), by counsel, pursuant to KRS 278.180 and KRS 278.190, hereby petitions the Commission for approval of a proposed increase in its water rates and charges. In support of its application, Corinth respectfully states as follows:

1. Corinth is a non-profit water district that has been engaged in the distribution and sale of water. It currently provides water service to approximately 866 customers in Grant County and Harrison County, Kentucky. Corinth is organized under KRS Chapter 74; however, Corinth is presently unable to locate its articles of incorporation and any amendments thereto. Therefore, Corinth requests a deviation from 807 KAR 5:001 Section 10(1)(b)(3) & (5) to allow this application to be filed without a copy of the articles of incorporation. Corinth's principal office, place of business, and mailing address is 215 Thomas Lane, P.O. Box 218, Corinth, Kentucky 41010.

2. The proposed increase in the rates and charges is necessary for Corinth to meet its operating expenses, to maintain financial viability, to cover its debt service, and to continue to provide adequate service.

3. As authorized by KRS 278.192(1), and for the purpose of justifying the reasonableness of the proposed general increase in rates, Corinth has utilized an historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2002.

4. Corinth's annual reports are on file with the Public Service Commission as required by 807 KAR 5:006, Section 3(1).

5. Corinth hereby gives notice to the Public Service Commission of the adjustment of its rates to those rates set forth in Exhibit No. 1 in the filing requirements. The proposed rates will result in increased annual revenues of \$91,995, which is an increase of 20 percent over normalized revenues from water sales of \$459,975.

6. The proposed tariffs (Exhibit No. 1) are shown in comparative form on the same sheets, side by side, and those comparative sheets are identified as Exhibit No. 2 in the filing requirements.

7. Corinth has complied with 807 KAR 5:011, Section 9, (2) and 807 KAR 5:001, Section 10, (3) and (4), by delivering to newspapers of general circulation in its service area a copy of the Notice identified as Exhibit No. 8 in the filing requirements, for publishing once a week for three consecutive weeks in a prominent manner, the first of said publications to be made no later than seven (7) days after October 8, 2003.

8. A copy of this filing has been mailed to the Utility Intervention and Rate Division of the Attorney General's office of the Commonwealth of Kentucky.

9. As required by 807 KAR 5:001, Section 10, (4), (f), Corinth will post a copy of its Customer Notices (Exhibit No. 8) at its place of business on October 8, 2003 and it will remain posted until the Public Service Commission has determined Corinth's rates.

10. The list of the documents filed in support of Corinth's application for approval of the proposed adjustment of rates or the explanation for their absence is contained in the Filing Requirement Index.

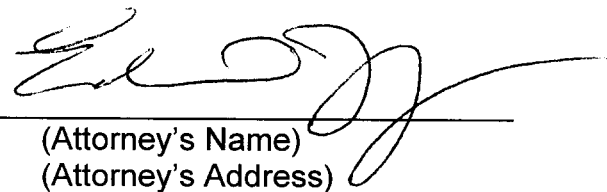
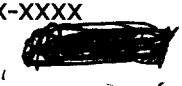
WHEREFORE, the Applicant, Corinth Water District requests that the Public Service Commission of Kentucky grant to the Applicant its proposal to increase its rates and charges as set forth in this Petition.

Dated at Corinth, Kentucky this _____.

CORINTH WATER DISTRICT

By  _____
Chairman


LAW FIRM OR ATTORNEY

By  _____
(Attorney's Name)
(Attorney's Address)
(Post Office Box)
Corinth, Kentucky 41010
(859) xxx-xxxx
Ackman  + Loreng LLC
200 S. Main St
W. Uniontown, Ky 41097
859 824-3361

[illegible]

The undersigned, Dan Field, being duly sworn, deposes and states he is the Chairman of the Corinth Water District, Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are there stated on information or belief, and as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this
October 01, 2003



Dan Field, Chairman
Corinth Water District

Subscribed and sworn to before me by Dan Field, Chairman of the Corinth Water District, on this 10/01, 2003.

My Commission Expires January 13, 2005

William Henry Bell
Notary Public
In and for said County and State

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 8(1)	Full name and P. O. address of applicant and reference to the particular provision of law requiring PSC approval.	Application – Page No. 1.
807 KAR 5:001 Section 8(2)	The original and 10 copies of application plus copy for anyone named as interested party.	The correct number of applications has been filed.
807 KAR 5:001 Section 10(1)(b)(1)	Reason adjustment is required.	Application – Page No. 1.
807 KAR 5:001 Section 10(1)(b)(2)	Statement that utility's annual reports, including the most recent calendar year, are filed with PSC. 807 KAR 5:006, Section 3(1)	Application – Page No. 2.
807 KAR 5:001 Section 10(1)(b)(3) & (5)	If utility is incorporated, certified copy of articles of incorporation and amendments or out of state documents of similar import. If they have already been filed with PSC refer to the style and case number of the prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	A deviation from this requirement was requested on page 1 of the application due to lost records.
807 KAR 5:001 Section 10(1)(b)(4) & (5)	If applicant is limited partnership, certified copy of limited partnership agreement. If agreement filed with PSC refer to style and case number of prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	N/A – Corinth is not a limited partnership.
807 KAR 5:001 Section 10(1)(b)(6)	Certified copy of certificate of assumed name required by KRS 365.015 or statement that certificate not necessary.	N/A – Corinth has never used an assumed name.
807 KAR 5:001 Section 10(1)(b)(7)	Proposed tariff in form complying with 807 KAR 5:011 effective not less than 30 days from date application filed.	Exhibit No. 1.
807 KAR 5:001 Section 10(1)(b)(8)	Proposed tariff changes shown by present and proposed tariffs in comparative form or by indicating additions in italics or by underscoring and striking over deletions in current tariff.	Exhibit No. 2.
807 KAR 5:001	Statement that notice given, see subsections (3) and (4) of	Application – Page No. 2.

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
Section 10(1)(b)(9)	807 KAR 5:001, Section 10 with copy.	Exhibit No. 8.
807 KAR 5:001 Section 10(2)	If gross annual revenues exceed \$1,000,000, written notice of intent filed at least 4 weeks prior to application. Notice shall state whether application will be supported by historical or fully forecasted test period.	NA – Gross annual revenues for 2002 do not exceed \$1,000,000.
807 KAR 5:001 Section 10 (6)(a)	Complete description and quantified explanation for proposed adjustments with support for changes in price or activity levels, and other factors affecting the adjustment.	Exhibit No. 4.
807 KAR 5:001 Section 10 (6)(b) & (c)	If gross annual revenues exceed \$1,000,000, prepared testimony of each witness who will support the application. If less than \$1,000,000, prepared testimony of each witness who will support application or statement that utility does not plan to submit prepared testimony.	Commission Staff assisted with the application and therefore Corinth does not intend to submit prepared testimony.
807 KAR 5:001 Section 10 (6)(d)	Estimate of effect that new rate(s) will have on revenues including, at minimum, total revenues resulting from increase or decrease and percentage of increase or decrease.	Application – Page No. 2.
807 KAR 5:001 Section 10 (6)(e)	If electric, gas, water or sewer utility effect upon the average bill for each customer classification to which change will apply.	Exhibit No. 7 (Cost-of-Service Study).
807 KAR 5:001 Section 10 (6)(f)	If local exchange company, effect upon the average bill for 807 each customer class for change in basic local service.	N/A – Corinth is a Water District.
807 KAR 5:001 Section 10 (6)(g)	Analysis of customers' bills in such detail that revenues from present and proposed rates can be readily determined for each customer class.	Exhibit No 5.
807 KAR 5:001 Section 10 (6)(h)	Summary of determination of revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.	Exhibit No. 4.

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(i)	Reconciliation of rate base and capital used to determine revenue requirements.	N/A – Revenue Requirement reflects Debt Service.
807 KAR 5:001 Section 10 (6)(j):	Current chart of accounts if more detailed than the Uniform System of Accounts.	Not applicable
807 KAR 5:001 Section 10 (6)(k)	Independent auditor's annual opinion report, with any written communication from auditor, which indicates existence of material weakness in internal controls.	The 2002 Audit Report is attached as Exhibit 9.
807 KAR 5:001 Section 10 (6)(l):	The most recent FERC or FCC audit reports.	N/A – Corinth is a Water District
807 KAR 5:001 Section 10 (6)m	The most recent FERC Form 1 (electric), FERC Form 2 (gas), or Automated Reporting Management Information System Report (telephone) and PSC Form T (telephone).	N/A – Corinth is a Water District
807 KAR 5:001 Section 10 (6)(n)	Summary of latest depreciation study with schedules by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall provide schedule identifying current and test period depreciation rates used by major plant accounts. If filed in another PSC case refer to that case's number and style.	Exhibit No. 6.
807 KAR 5:00 Section 10 (6)(o)	List of all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with the filing. Include each software, program, or model; what each was used for; its supplier; brief description and specifications for the computer hardware and the operating system required to run the program.	Excel Word
807 KAR 5:001 Section 10 (6)(p)	Prospectuses of most recent stock or bond offerings.	N/A – Corinth is a Water District
807 KAR 5:001 Section 10 (6)(q)	Annual report to shareholders, or members, and statistical supplements covering 2 years prior to application filing	N/A – Corinth is a Water District

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(r)	date. Monthly managerial reports providing financial results for 12 months in test period.	Corinth requests a waiver from this filing requirement as it does not produce monthly managerial reports on a routine basis, and their production at this time would result in additional expense.
807 KAR 5:001 Section 10 (6)(s)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued within past 2 years, and Form 10-Qs issued during the past 6 quarters updated as current information becomes available.	N/A – Corinth is a Water District
807 KAR 5:001 Section 10 (6)(t)	If utility had any amounts charged or allocated to it by affiliate or general or home office, or paid any monies to affiliate or general or home office during test period or during previous 3 calendar years, file: 1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each charge allocation or payment; 2. Explanation of how allocator for the test period was determined; and 3. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during test period was reasonable;	N/A – There are no affiliate allocations.

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(u)	If gas, electric or water utility, whose annual gross revenues exceed \$5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from a single time period.	Exhibit No. 7.
807 KAR 5:001 Section 10 (6)(v)	<p>Local exchange carriers with fewer than 50,000 access lines need not file cost of service studies, except as specifically directed by PSC. Local exchange carriers with more than 50,000 access lines shall file:</p> <ol style="list-style-type: none"> 1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and 2. Service specific cost studies to support pricing of all services that generate annual revenue greater than \$1,000,000, except local exchange access: <ul style="list-style-type: none"> (a) Based on current and reliable data from a single time period; and (b) Using generally recognized fully allocated, embedded, or incremental cost principles. 	N/A – Corinth is a Water District
807 KAR 5:001 Section 10 (7)(a)	Detailed income statement and balance sheet reflecting impact of all proposed adjustments	Exhibit No. 3.
807 KAR 5:001 Section 10 (7)(b)	Most recent capital construction budget containing at least period of time as proposed for any pro forma adjustment for plant additions.	NA – There are no pro forma adjustments for plant additions.

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (7)(c)	<p>For each proposed pro forma adjustment reflecting plant additions the following information:</p> <ol style="list-style-type: none"> 1. Starting date of the construction of each major component of plant; 2. Proposed in-service date; 3. Total estimated cost of construction at completion; 4. Amount contained in construction work in progress at end of test period; 5. Complete description of actual plant retirements and anticipated plant retirements related to the pro forma plant additions including the actual or anticipated date of retirement; 6. Original cost, cost of removal and salvage for each component of plant to be retired during the period of the proposed pro forma adjustment for plant additions; 7. Explanation of any differences in amounts contained in the capital construction budget and amounts of capital construction cost contained in the pro forma adjustment period; and 8. Impact on depreciation expense of all proposed pro 	NA – There are no pro forma adjustments for plant additions.

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (7)(e)	<p>forma adjustments for plant additions and retirements; Number of customers to be added to the test period – end level of customers and the related revenue requirements impact for all pro forma adjustments with complete details and supporting work papers.</p>	Exhibit No. 4.

Exhibit Index

<u>Exhibit Title</u>	<u>Number</u>
Proposed Tariff	1
Comparison of Proposed & Current Tariff	2
Pro Forma Financial Statements	3
Pro Forma Adjustment Descriptions/Revenue Requirements Determination	4
Billing Analysis	5
Analysis of Depreciation	6
Cost of Service Study	7
Customer Notification	8
2002 Audit Report	9
Articles of Incorporation/Amendments	10

FOR _____
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

CORINTH WATER DISTRICT
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

CONTENTS

Monthly Water Rates

First	1,000 gallons	\$14.27 minimum bill
Next	4,000 gallons	10.39 per 1,000 gallons
Next	5,000 gallons	9.25 per 1,000 gallons
All over	10,000 gallons	8.11 per 1,000 gallons
Bulk Loading Station		5.75 per 1,000 gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

FOR ENTIRE AREA SERVED
P.S.C. KY. NO. _____ 10

4TH revised SHEET NO. _____ 5

CORINTH WATER DISTRICT
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____ 5

3rd revised SHEET NO. _____ 5

RULES AND REGULATIONS

~~Monthly Water Rates~~

~~First 1,000 gallons — \$15.35 minimum bill~~
~~Next 4,000 gallons — 7.50 per 1,000 gallons~~
~~Next 5,000 gallons — 5.15 per 1,000 gallons~~
~~All over 10,000 gallons 4.50 per 1,000 gallons~~

~~Bulk Loading Station — 5.25 per 1,000 gallons~~

Monthly Water Rates

First 1,000 gallons \$14.27 minimum bill
Next 4,000 gallons 10.39 per 1,000 gallons
Next 5,000 gallons 9.25 per 1,000 gallons
All over 10,000 gallons 8.11 per 1,000 gallons

Bulk Loading Station 5.75 per 1,000 gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

Exhibit No. 3
Corinth Water District
Detailed Income Statement and Balance Sheet Reflecting
Impact of All Proposed Adjustments

2002 Income Statement (with all proposed adjustments)			
	2002	Adjustments	Adjusted
Operating Revenues:			
Metered Sales	\$442,379	\$3,408 \$91,995	\$537,782
Forfeited Discounts	13,800		\$13,800
Miscellaneous Revenue	388		388
Total Operating Revenues	\$456,567	\$95,403	\$551,970
Operating Expenses			
Employee Salaries	\$89,618	(\$7,011)	\$82,607
Officer Salaries	7,797	0	7,797
Employee Pensions/Benefits	12,891	(4,429)	8,462
Purchased Water	177,396	(2,652)	174,744
Purchased Power	863	0	863
Materials/Supplies	13,830	0	13,830
Contractual Serv.-Acct	13,231	(\$2,731)	10,500
Contractual Serv.-Tests	860	0	860
Contractual Serv.-Other	6,985	0	6,985
Transportation Expense	8,665	(\$1,556)	7,109
Insurance-Vehicles	2,935	0	2,935
Insurance-Liability	2,701	0	2,701
Insurance-Workers Comp	1,466	0	1,466
Advertising expense	398	0	398
Bad debts	4,688	(1,059)	3,629
Miscellaneous expense	1,897	0	1,897
Depreciation	110,693	1,171	111,864
Amortization	0	0	0
Taxes Other Than Income	8,026	(1,110)	6,916
Total Operating Expenses	\$464,940	(\$19,377)	\$445,563
Operating Income	(\$8,373)	\$114,780	\$106,407
Other Income (Expense)			
Interest Income	1,168	(\$1,168)	0
Interest Expense	(87,234)	0	(87,234)
Net Income (Loss)	(\$94,439)	\$113,612	\$19,173

CORINTH WATER DISTRICT BALANCE SHEETS December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 51,738	\$ 62,232
Accounts receivable- customers	59,787	55,775
Inventories	5,490	4,652
Prepaid insurance	2,724	2,416
Total Current Assets:	<u>119,739</u>	<u>125,075</u>
Restricted Assets:		
Construction funds (note 3)	84,134	26,612
Sinking funds (notes 4 & 5)	32,194	30,872
Total Restricted Assets:	<u>116,328</u>	<u>57,484</u>
Utility Plant In Service (net of accumulated depreciation):		
Lines and equipment (note 6)	2,741,848	2,821,702
Construction in progress (note 7)	676,828	1,465
Total Utility Plant In Service (net of accumulated depreciation):	<u>3,418,676</u>	<u>2,823,167</u>
TOTAL ASSETS	<u>\$ 3,654,743</u>	<u>\$ 3,005,726</u>
LIABILITIES AND RETAINED EARNINGS		
LIABILITIES		
Current Liabilities		
Accounts payable - general	\$ 16,362	\$ 12,583
Current portion of lease obligation (notes 8 & 9)	37,000	35,000
Current portion of notes payable	15,842	13,455
Customer deposit	3,080	2,720
Withheld and accrued liabilities	7,969	6,705
Total Current Liabilities	<u>80,253</u>	<u>70,463</u>
Long-Term Debt		
Capital lease obligation (notes 8 & 9)	971,000	1,008,000
Water revenue bond series 1998 (note 10)	505,000	511,000
Note payable- tank payment (note 11)	3,744	10,838
Note payable- USDA- water revenue bond series 2002 (note 12)	485,000	-
Note payable- 2000 Chevy (note 13)	6,728	9,064
Total Long-Term Debt	<u>1,971,472</u>	<u>1,538,902</u>
TOTAL LIABILITIES	<u>2,051,725</u>	<u>1,609,365</u>
RETAINED EARNINGS		
Retained Earnings		
Unrestricted	1,486,690	1,338,877
Restricted	116,328	57,484
Total Retained Earnings	<u>1,603,018</u>	<u>1,396,361</u>
TOTAL RETAINED EARNINGS	<u>1,603,018</u>	<u>1,396,361</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 3,654,743</u>	<u>\$ 3,005,726</u>

See accompanying notes to financial statements.

Corinth WD Proforma – Exhibit 4	2001	2002	Adj.	Notes	Adjusted
Metered Sales	\$422,230	\$442,379	\$3,408	(a)	\$445,787
Forfeited Discounts	\$14,638	\$13,800	0		\$13,800
Miscellaneous Rev.	\$529	\$388	0		\$388
Tot. Op. Revenues	\$437,397	\$456,567	\$3,408		\$459,975
Employee Salaries	\$76,684	\$89,618	(\$7,011)	(b)	\$82,607
Officer Salaries	\$7,796	\$7,797	0		\$7,797
Employee Pensions/Benefits	\$7,544	\$12,891	(\$4,429)	(c)	\$8,462
Purchased Water	\$161,438	\$177,396	(\$2,652)	(d)	\$174,744
Purchased Power	\$1,000	\$863	0		\$863
Materials/Supplies	\$10,062	\$13,830	0		\$13,830
Contract. Serv.-Acct.	\$10,230	\$13,231	(\$2,731)	(e)	\$10,500
Contract. Serv.-Tests		\$860	0		\$860
Contract. Serv.-Other	\$6,729	\$6,985	0		\$6,985
Transportation Exp.	\$5,553	\$8,665	(\$1,556)	(f)	\$7,109
Insurance-Vehicles	\$2,436	\$2,935	0		\$2,935
Ins.-Gen. Liability	\$2,645	\$2,701	0		\$2,701
Ins.-Workers Comp	\$1,242	\$1,466	0		\$1,466
Advertising Expense	\$636	\$398	0		\$398
Bad Debt Expense	\$2,570	\$4,688	(\$1,059)	(g)	\$3,629
Misc. Exp.	\$1,964	\$1,897	0		\$1,897
<i>Tot. Water Util. Exp.</i>	<i>\$298,529</i>	<i>\$346,221</i>	<i>(\$19,438)</i>		<i>\$326,783</i>
Depreciation Expense	\$110,406	\$110,693	\$1,171	(h)	\$111,864
Taxes OT Income	\$7,306	\$8,026	(\$1,110)	(i)	\$6,916
Total Op. Expenses	\$416,241	\$464,940	(\$19,377)		\$445,563
Total Op. Income	\$21,156	(\$8,373)			
Loss from disposition	(\$4,223)	0			
Interest Income	\$2,850	\$1,168	(\$1,168)	(j)	0
Interest Expense	(\$82,743)	(\$87,234)			
<i>Net Income</i>	<i>(\$62,960)</i>	<i>(\$94,439)</i>			

Proforma Expenses	\$445,563
Debt Service Coverage	\$204,476
Revenue Requirement	\$650,039
Less Normalized Revenue	\$459,975
Justifiable Increase (41.3%)	\$190,064
Requested Increase (20%)	\$91,995

Debt	2004	2005	2006	Average
2002 RD Bonds 4.625%				
R1-526 Due Jan 1	\$18,136.25	\$17,993.75	\$17,851.25	
July 1	\$11,993.75	\$11,851.25	\$11,708.75	
R1-485 Jan. 1	\$11,215.63	\$16,015.53	\$16,105.82	
July 1	\$11,215.63	\$11,105.82	\$10,990.18	
Yearly Total	\$52,561.26	\$56,966.35	\$56,656.00	\$55,395
Series 1998 Bonds	\$30,273	\$29,988	\$29,703	\$29,703
Total RD				\$85,098
RD Debt Service Covg. at 1.2x				\$102,118
Cash Requirements				
Capital Lease	\$98,793	\$98,124	\$98,321	
1999 Eagle Bank Loan	\$3,823	0	0	
2001 Huntington Bank	\$2,747	\$2,747	\$2,518	
Subtotal	\$105,363	\$100,871	\$100,839	\$102,358
Total Debt Service				\$204,476

Explanatory Notes:

(a) Adjustment to normalize revenues based upon Commission Staff's billing analysis.

(b) Employee Salaries and Wages (as well as other accounts, as indicated below) were unusually high in 2002 because of a major construction project which required substantial overtime for the District's manager. Therefore, pro forma Salaries and Wages were determined by taking the average of 2001 and 2002 salaries, and increasing it by wage increases granted on 12/30/02 of up to 3.1%.

(c) Pro forma Employee Benefits Expense was determined by taking pro forma expenses for retirement, medical and dental benefits and removing family health insurance benefits costing \$4,429, in accordance with normal PSC practice.

(d) Pro forma Purchased Water Expense was determined based upon normalized purchases, adjusted to limit water line loss to a maximum of 15%, calculated as follows:

Line Loss Calculation	Th. Gallons	%	Normalized	%
Total Water Purchased	71,217	100%	71,079.9	100%
Sales	56,888	79.88%	56,778.6	79.88%
Other Use	3,025	4.25%	3,020.9	4.25%
Subtotal	59,913	84.13%	59,799.5	84.13%
Line Loss	11,304	15.87%	11,280.4	15.87%
Allowable Line Loss in Th. Gallons(15%)	10,682	15.00%	10,662.0	15.00%
Excess Line Loss Th. Gallons	622	.87%	618.4	.87%

618.4 x \$2.48 per thousand = \$1,534

\$176,278 - Total Purchases of 71,079.9 x \$2.48

(\$ 1,534) – Line loss adjustment

\$174,744 - Normalized Purchased Water Expense

(e) Contractual Accounting Services were unusually high for 2002 because of the construction project, and pro forma Contractual Services Expense has therefore been reduced to reflect a more normal expense level.

(f) Averaged 2001 and 2002 to arrive at pro forma expense.

(g) Averaged 2001 and 2002 to arrive at pro forma expense.

(h) Adjustment to normalize depreciation expense for 2002 plant additions.

(i) FICA tax rate of 7.65% x \$90,404 (Total of Employees' and Officers' Salaries.

(j) Adjustment to remove Interest Income because much of it was project-related and/or restricted.

[illegible]

Client 3982

CORINTH WATER DISTRICT

61-1093187

6/03/03

Form 1120

04:07PM

No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Our 179 Bonus	Special Dep. Allow.	Prior 179/ Bonus/ Sp. Dep.	Prior Dec. Bal. Dep.	Salvage /Basis Reductn	Dep. Basis	Prior Dep.	Method	Life	Rate	Current Depr.
Auto / Transport Equipment																
69	TOOL BOX ON TRUCK	10/26/93		82							82	82	S/L	5		0
118	98 CHEVY S-10 TRK(428 TI)	4/01/98		20,092							20,092	15,068	S/L	5		4,018
141	00 CHEVY S-10 PU (BILLY)	11/15/01		11,065							11,065	369	S/L	5		2,213
Total Auto / Transport Equipment																
				31,239		0	0	0	0	0	31,239	15,519				6,231
DISTRIBUTION RESERVOIRS & STANDPIPES																
61	122,000 GAL STEEL STANDPP	8/31/86		124,837							124,837	47,855	S/L	40		3,121
131	PAINT TOWER(\$2231 1998)	5/15/99		42,840							42,840	8,787	S/L	13		3,295
Total DISTRIBUTION RESERVOIRS																
				167,677		0	0	0	0	0	167,677	56,642				6,416
Furniture and Fixtures																
62	TYPEWRITER	1/25/89		214							214	214	S/L	8		0
63	OFFICE FURNITURE	2/02/89		255							255	255	S/L	8		0
64	OFFICE EQUIPMENT	2/24/89		537							537	537	S/L	40		0
65	OFFICE CARPET	2/25/89		432							432	432	S/L	8		0
105	NEW COPIER 663+231 TRD-IN	6/18/96		894							894	616	S/L	8		112
130	Y2K COMPUTR	6/03/99		4,390							4,390	2,268	S/L	5		878
134	NEW COPIER - WALTZ	11/04/99		1,836							1,836	795	S/L	5		367
143	COMPUTER SYSTEM UPGRADE	12/20/02		4,508							4,508		S/L	5		0
Total Furniture and Fixtures																
				13,066		0	0	0	0	0	13,066	5,117				1,357

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PSC

FINANCIAL ANALYSIS

Client 3982

CORINTH WATER DISTRICT

61-1093187

04:07PM

6/03/03

No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
Land																
70	LAND-2ND WATER LOADING ST	5/25/93		2,000							2,000					0
138	LAND - KEEFER RD TOWER	10/09/01		3,500							3,500					0
Total Land																
				5,500	0	0	0	0	0	0	5,500	0				0
Machinery and Equipment																
66	WATER PUMP	7/10/91		200							200	200	S/L	8		0
67	PRESSURE RECORDER	7/13/93		347							347	347	S/L	8		0
68	LOWELL RATCHETT WRENCH ST	5/10/93		295							295	295	S/L	8		0
87	POCKET CHLORIMETER	7/01/95		323							323	261	S/L	8		40
106	METAL DETECTOR	4/03/96		410							410	293	S/L	8		51
137	ROTO-TILLER	3/03/00		1,099							1,099	251	S/L	8		137
Total Machinery and Equipment																
				2,674	0	0	0	0	0	0	2,674	1,647				228
METERS																
1	METERS INSTALLATION 160	8/31/86		40,658							40,658	15,583	S/L	40		1,016
2	METERS	7/01/88		657							657	220	S/L	40		16
3	2 METERS BRACHT RD	6/01/89		2,250							2,250	702	S/L	40		56
4	2 MTRS-P EDWARD & B VAUGHN	8/01/89		780							780	243	S/L	40		20
5	METER-PHILLIP DALTON	10/01/89		390							390	120	S/L	40		10
6	2 1/2-2'3"-5/8X3/4 METERS	5/01/89		2,490							2,490	782	S/L	40		62
7	METER-OKLA MOTLEY	12/07/89		390							390	118	S/L	40		10
8	2 METERS-330 W EXTENSION	1/09/90		780							780	241	S/L	40		20
9	METER-LESTER HOWARD	6/20/90		233							233	68	S/L	40		6
10	METER-IOAN MEAD	6/27/90		390							390	114	S/L	40		10

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2002 Federal Depreciation Schedule

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CORINTH WATER DISTRICT

61-1093187

6/03/03

04:07PM

No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Dep. Allow.	Prior 179/ Bonus/ Sp. Dep.	Prior Dec. Bal. Dep.	Salvage /Basis Reduction	Dep. Basis	Prior Dep.	Method	Life	Rate	Current Dep.
11	METER-L STANDER @200' PVC	10/20/90		1,048							1,048	291	S/L	40		26
12	METER-G HULL @ 200' PVC	10/20/90		1,771							1,771	493	S/L	40		44
13	METER-D ROSE @ 20' PVC	11/01/90		570							570	158	S/L	40		14
14	METER-EMPIRE GAS @125'PVC	12/12/90		1,122							1,122	309	S/L	40		28
15	METER-JACKIE ROSE	6/10/91		387							387	103	S/L	40		10
16	METER-TOM PENN	6/06/91		384							384	103	S/L	40		10
17	METER-WILBURN HATTON	8/05/91		375							375	95	S/L	40		9
18	METER-K MILISH	8/06/91		387							387	101	S/L	40		10
19	1" METER-330 WEST	12/01/89		879							879	259	S/L	40		22
20	METER-C MARTIN	6/12/92		474							474	113	S/L	40		12
21	METER-LARRY NEAL	7/13/92		563							563	133	S/L	40		14
22	METER-T NEW & G MULBERRY	10/13/92		780							780	182	S/L	40		20
23	4 METERS	4/12/93		2,590							2,590	565	S/L	40		65
24	METER-BILLY ELLIS	12/17/93		390							390	80	S/L	40		10
25	2 METRS-TAYLOR-DELANEY RD	5/12/94		954							954	183	S/L	40		24
26	METER-SWITZER	5/17/94		860							860	166	S/L	40		22
27	372 MTRS 93-94 LINE EXT	6/24/94		178,082							178,082	33,390	S/L	40		4,452
28	METER-KISSICH	8/09/94		394							394	74	S/L	40		10
29	REDO LINE & 2 MTRS-WAGERS	9/09/94		1,479							1,479	271	S/L	40		37
30	METER-HOPPER	9/16/94		375							375	67	S/L	40		9
31	2 METERS-FETNER & GLASE	9/22/94		751							751	138	S/L	40		19
32	METER-BROWN	9/29/94		375							375	66	S/L	40		9
33	METER-VALAGAS	10/06/94		375							375	66	S/L	40		9
34	METER-WATER DISTRICT	10/20/94		375							375	66	S/L	40		9
35	METER-WILSON	11/09/94		382							382	71	S/L	40		10
36	METER-WAINSCOTT	11/30/94		487							487	85	S/L	40		12
37	METER-COMBS	12/01/94		321							321	56	S/L	40		8

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CORINTH WATER DISTRICT

61-1093187

6/03/03

04:07PM

No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.	
71	METER-PEARL PITTMAN	7/01/95		490							490			S/L	40	78	12
72	METER-GREG MULBERRY	7/01/95		410							410			S/L	40	65	10
73	METER-BOB ADAMS	7/01/95		526							526			S/L	40	85	13
74	METER-EUGENE HILL	7/01/95		510							510			S/L	40	84	13
75	METER-CHRISTINE MARTIN	7/01/95		416							416			S/L	40	66	10
76	METER-TED ROLLINS	7/01/95		362							362			S/L	40	59	9
77	METER-PAUL MOORE	7/01/95		388							388			S/L	40	65	10
78	METER-EVA PERRY	7/01/95		358							358			S/L	40	58	9
79	METER-JACK STINSON	7/01/95		512							512			S/L	40	84	13
80	METER-TIM SADDLER	7/01/95		404							404			S/L	40	65	10
81	METER-DAVID UTTER	7/01/95		403							403			S/L	40	65	10
82	METER-HARRY READNOUR	7/01/95		779							779			S/L	40	124	19
83	METER-DARYL CHERRY	7/01/95		638							638			S/L	40	104	16
84	REMOTE METER-G. BROOKS	7/01/95		59							59			S/L	40	7	1
88	METER-JOHN HOFFMAN	1/24/96		494							494			S/L	40	71	12
89	METER-PRENTICE WHITAKER	2/22/96		368							368			S/L	40	53	9
90	METER-ROBERT PATTON	5/02/96		546							546			S/L	40	79	14
91	METER-JOSIE BLAKE	5/23/96		393							393			S/L	40	56	10
92	METER-EZEKIAL JORDAN	5/31/96		389							389			S/L	40	56	10
93	METER-MITCHELL MCINTOSH	6/03/96		469							469			S/L	40	67	12
94	METER-GREG MULBERRY	6/07/96		383							383			S/L	40	56	10
95	METER-STACIE GRIFFIN	6/28/96		378							378			S/L	40	50	9
96	METER-JEFF BARDUA	7/08/96		323							323			S/L	40	44	8
97	METER-WILLIAM KISSICK	7/30/96		328							328			S/L	40	43	8
98	METER-ANGIE CHAPMAN	7/30/96		394							394			S/L	40	54	10
99	METER-MARK RICHARDS	9/05/96		715							715			S/L	40	96	18
100	METER-BILLY HOWELL	9/05/96		456							456			S/L	40	59	11

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CORINTH WATER DISTRICT

61-1093187

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No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.	
101	METER-MARY KING	9/20/96		374							374	47	S/L	40		9	
102	METER-MATHEW SHEPHARD	11/07/96		484							484	62	S/L	40		12	
103	METER-RONNY JUMP	11/22/96		376							376	46	S/L	40		9	
107	METER-MELISSA COWLES	3/25/97		632							632	76	S/L	40		16	
108	METER-MILA LAWSON	4/29/97		573							573	66	S/L	40		14	
109	METER-MARSHALL BLACKBURN	4/29/97		536							536	61	S/L	40		13	
110	METER-ANNE MCKINSEY/BEACH	4/02/97		398							398	47	S/L	40		10	
111	METER-RANDY & D LIVINGOOD	5/08/97		577							577	66	S/L	40		14	
112	METER-DEBBIE RIGGS	8/07/97		399							399	44	S/L	40		10	
113	METER-SCOTT DUNN	8/14/97		1,043							1,043	115	S/L	40		26	
114	METER-CHRIS BACK	10/01/97		386							386	42	S/L	40		10	
115	METER-ROBERT BRANDT	10/01/97		378							378	38	S/L	40		9	
116	METER-HOUSING CORPORATION	11/05/97		373							373	38	S/L	40		9	
119	METER - TERRY YOUNG	1/31/98		415							415	164	S/L	10		42	
120	METER - GARY LEE	2/18/98		1,603							1,603	614	S/L	10		160	
121	METER - MIKE OHARA	4/10/98		344							344	128	S/L	10		34	
122	METER - OTIS PRINCE	4/10/98		344							344	128	S/L	10		34	
123	METER - GARY WATKINS	5/07/98		284							284	103	S/L	10		28	
124	METER - LEO SAYLOR	8/17/98		280							280	93	S/L	10		28	
125	METER - TAMI WALSH	8/31/98		270							270	90	S/L	10		27	
126	METER - FRED SCHEFFLER	11/21/98		430							430	133	S/L	10		43	
129	L-B EXT METERS	6/30/99		121,839							121,839	30,460	S/L	10		12,184	
133	1999 METERS SET	7/01/99		16,063							16,063	4,015	S/L	10		1,606	
136	2000 METERS SET	7/01/00		10,638							10,638	1,596	S/L	10		1,064	
140	2001 METERS SET	7/01/01		6,402							6,402	320	S/L	10		640	
142	2002 METERS 9-3/4" 1-2"	7/01/02		11,799							11,799		S/L	40		147	
Total METERS				435,079	0	0	0	0	0	0	435,079	96,260					22,644

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2002 Federal Depreciation Schedule

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CORINTH WATER DISTRICT

61-1093187

6/03/03

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No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.	
STRUCTURES & IMPROVEMENTS																	
38	LOADING STATION	12/31/86		9,397							9,397	3,524	S/L	40		235	
39	PRESSURE GAUGE	2/01/87		201							201	201	S/L	10		0	
40	DRIVEWAY-LOADING STATION	5/01/87		600							600	600	S/L	10		0	
41	REPAVE DRIVEWAY-LOAD STN	6/12/92		2,630							2,630	2,513	S/L	10		117	
42	LOADING STATION	6/24/94		46,169							46,169	8,655	S/L	40		1,154	
85	ADD'L VALVE AT LS ON 36	7/01/95		919							919	598	S/L	10		92	
86	CONCRETE LID AT LS ON 36	7/01/95		100							100	19	S/L	40		3	
117	CT SERVICES-WORK ON TOWER	12/31/97		5,305							5,305	2,124	S/L	10		531	
135	REPLACE CULVERT AT LS #1	12/01/00		8,398							8,398	607	S/L	15		560	
Total STRUCTURES & IMPROVEM				73,719	0	0	0	0	0	0	73,719	18,841					2,692
Buildings																	
48	TRANS & DIST MAINS-8"6"4"	8/31/86		550,269							550,269	210,937	S/L	40		13,757	
49	1100' 6" LINE-CONST WOODS	11/01/89		1,572							1,572	474	S/L	40		39	
50	140' 6" LINE-G TRUE	7/01/89		1,170							1,170	361	S/L	40		29	
51	TAP IN - C HOMES LTD	8/01/89		488							488	149	S/L	40		12	
52	RPLCD 300"1"LINE W/6"LINE	10/01/89		1,939							1,939	587	S/L	40		48	
53	480"2"LINE,254"1",49766"	5/01/89		98,753							98,753	31,067	S/L	40		2,469	
54	1400"8"LINE-330WEST-D LAY	12/01/89		6,815							6,815	2,043	S/L	40		170	
55	330 WEST EXTENSION	1/09/90		662							662	201	S/L	40		17	
56	2"LINE INSIDE 8"-CO LINE	5/31/90		4,900							4,900	1,421	S/L	40		123	
57	80' 4" LINE-NEW COLUMBUS	1/31/90		2,840							2,840	846	S/L	40		71	
58	RLCTE LINE-SHERITAN SEXTN	3/29/93		6,251							6,251	1,366	S/L	40		156	
59	LN EXT-DELANEY RD-400' 2"	5/12/94		1,143							1,143	220	S/L	40		29	

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2002 Federal Depreciation Schedule

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CORINTH WATER DISTRICT

61-1093187

6/03/03

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No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Depr. Allow.	Prior Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.	
60	93-94 LINE EXTENSION PROJ	6/24/94		1,068,334							1,068,334	200,311	S/L	40		26,708	
104	LINE INST-LAWRENCEVILLE 2M	11/01/96		3,079							3,079	398	S/L	40		77	
127	L-B EXT WATER MAINS	6/30/99		1,015,980							1,015,980	63,500	S/L	40		25,400	
132	RE-DO LINE EXTENSION-CLSN	10/18/99		2,278							2,278	123	S/L	40		57	
139	LAYTON CHAPEL RD PROJECT	5/02/01		3,516							3,516	59	S/L	40		88	
144	LINE EXT-SAYLR PT/DUNN MZ	4/30/02		14,531							14,531		S/L	40		242	
Total Buildings				2,784,520	0	0	0	0	0	0	2,784,520	514,063					69,492
HYDRANTS																	
43	HYDRANTS 13-6", 1-4", 1-8"	8/31/86		29,413							29,413	11,274	S/L	40		735	
44	FIRE HYDRANT-MASON SCHOOL	12/09/86		2,200							2,200	830	S/L	40		55	
45	2" HYDRANT-DELANEY ROAD	5/12/94		240							240	46	S/L	40		6	
46	12 FLUSHING HYD 93-94 EXT	6/24/94		8,662							8,662	1,626	S/L	40		217	
128	L-B EXT HYDRANTS	6/30/99		11,609							11,609	725	S/L	40		290	
Total HYDRANTS				52,124	0	0	0	0	0	0	52,124	14,501					1,303
Miscellaneous																	
47	ALTITUDE VALVE	11/20/90		13,191							13,191	3,657	S/L	40		330	
Total Miscellaneous				13,191	0	0	0	0	0	0	13,191	3,657					330
Total Depreciation				3,578,789	0	0	0	0	0	0	3,578,789	726,247					110,693
Grand Total Depreciation				3,578,789	0	0	0	0	0	0	3,578,789	726,247					110,693

CORINTH WATER DISTRICT

COST OF SERVICE STUDY

September 15, 2003

ALLOCATION OF PLANT VALUE

	TOTAL	COMMODITY	DEMAND	CUSTOMER
Structures & Improvements	\$73,719.00		\$73,719.00	
Land & Land Rights	5,500.00		5,500.00	
Supply Mains	13,191.00		13,191.00	
Distribution Reservoirs & Standpipes	167,677.00		167,677.00	
Transmission & Distribution Mains	2,784,519.00		2,784,519.00	
Hydrants	52,124.00			\$52,124.00
Meters & Meter Installations	435,080.00			435,080.00
SUBTOTAL	\$3,531,810.00	\$0.00	\$3,044,606.00	\$487,204.00
PERCENT	100.00%	0	86.21%	13.79%
General Plant (1)				
Transportation Equipment	31,239.00		26,929.66	4,309.34
Tools, Shop & Garage Equipment	2,673.00		2,304.27	368.73
Office Furniture & Equipment	13,066.00		11,263.58	1,802.42
TOTAL VALUE	\$3,578,788.00	\$0.00	\$3,085,103.51	\$493,684.49
(1) General Plant allocated based on overall weighted allocation of all other plant.				
Note: Figures used were derived from 2002 Annual Report				

ALLOCATION OF DEPRECIATION EXPENSE

	TOTAL	COMMODITY	DEMAND	CUSTOMER
Structures & Improvements	\$21,533.00		\$21,533.00	
Supply Mains	3,987.00		3,987.00	
Distribution Reservoirs & Standpipes	63,058.00		63,058.00	
Transmission & Distribution Mains	583,555.00		583,555.00	
Hydrants	15,804.00			\$15,804.00
Meters & Meter Installations	118,904.00			118,904.00
SUBTOTAL	\$806,841.00	\$0.00	\$672,133.00	\$134,708.00
PERCENT	100.00%	0	83.30%	16.70%
General Plant (1)				
Transportation Equipment	21,750.00		18,118.68	3,631.32
Tools, Shop & Garage Equipment	1,875.00		1,561.96	313.04
Office Furniture & Equipment	6,474.00		5,393.12	1,080.88
TOTAL DEPRECIATION	\$836,940.00	\$0.00	\$697,206.75	\$139,733.25
Note: Figures used were derived from 2002 Annual Report				

ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE

	TOTAL	COMMODITY	DEMAND	CUSTOMER
Employee Salaries	\$82,607.00		\$67,515.00	\$15,092.00
Payroll Taxes	6,916.00		5,657.29	1,258.71
Purchased Water	174,744.00	\$174,744.00		
Contractual Services - Tests	860.00		860.00	
Contractual Services - Other	6,985.00		6,985.00	
Purchased Power	863.00	863.00		
Materials & Supplies	13,830.00		13,830.00	
SUBTOTAL	\$286,805.00	\$175,607.00	\$94,847.29	\$16,350.71
LESS COMMODITY	-\$175,607.00			
SUBTOTAL	\$111,198.00		\$94,847.29	\$16,350.71
PERCENT	100.00%		85.30%	14.70%
Insurance - Work. Comp.	1,466.00		1,250.44	215.56
Insurance - Gen. Liability	2,701.00		2,303.84	397.16
Insurance - Vehicles	2,935.00		2,503.43	431.57
Employee Pensions	8,462.00		7,217.74	1,244.26
Officer Salaries	7,797.00		6,650.52	1,146.48
Contractual Services - Acct.	10,500.00		8,956.07	1,543.93
Transportation Expense	7,109.00		6,063.68	1,045.32
Bad Debt Expense	3,629.00		3,095.39	533.61
Miscellaneous Expense	1,897.00		1,618.06	278.94
Advertising Expense	398.00		339.48	58.52
TOTAL	\$333,699.00	\$175,607.00	\$134,845.93	\$23,246.07

SUMMARY OF ALLOCATIONS

	TOTAL	COMMODITY	DEMAND	CUSTOMER
Plant Percentages	100.00%		86.21%	13.79%
Available For Debt Service	\$204,476.00		\$176,278.76	\$28,197.24
Depreciation Percentages	100.00%		83.30%	16.70%
Total Depreciation	13,795.00		11,491.24	2,303.77
Total Operation & Maintenance	333,699.00	\$175,607.00	134,845.93	23,246.07
REVENUE REQUIREMENT	\$551,970.00			
<i>Less: Other Operating Revenue</i>	<i>-14,188.00</i>			<i>-14,188.00</i>
REVENUE REQUIRED FROM RATES	\$537,782.00	\$175,607.00	\$322,615.92	\$39,559.08
<i>Less: Revenue from Bulk Sales</i>	<i>-\$108,903.28</i>		<i>-\$108,903.28</i>	
REVENUE REQUIRED FROM RETAIL SALES	\$428,878.72	\$175,607.00	\$213,712.64	\$39,559.08

CALCULATION OF WATER RATES

	TOTAL	FIRST 1,000	NEXT 4,000	NEXT 5,000	OVER 10,000
FROM BILLING ANALYSIS:					
COMMODITY PERCENTS	100.00%	23.01%	53.66%	13.74%	9.59%
ACTUAL COMMODITY SALES	37,838,900	8,706,800	20,304,200	5,198,900	3,629,000
PEAK DEMAND WEIGHTED FACTOR		2	1.66	1.33	1
PEAK DEMAND WEIGHTED SALES	61,662,109	17,413,600	33,704,972	6,914,537	3,629,000
DEMAND PERCENTS	100.00%	28.24%	54.66%	11.21%	5.89%
COMMODITY COSTS	\$175,607.00	\$40,407.49	\$94,230.00	\$24,127.64	\$16,841.87
DEMAND COSTS	\$213,712.64	\$60,353.21	\$116,816.93	\$23,964.86	\$12,577.63
CUSTOMER COSTS	\$39,559.08	\$39,559.08			
TOTAL COSTS	\$428,878.72	\$140,319.78	\$211,046.94	\$48,092.50	\$29,419.50
DIVIDE BY BILLS/GALLONS		9,835	20,304,200	5,198,900	3,629,000
CALCULATED RATES		\$14.27	\$10.39	\$9.25	\$8.11
		FIRST 1,000	NEXT 4,000	NEXT 5,000	OVER 10,000

VERIFICATION OF RATES

		BILLS	GALLONS	C.O.S.S. RATES	REVENUE
FIRST	1,000 GALLONS	9,835	8,706,800	\$14.27	\$140,345.45
NEXT	4,000 GALLONS		20,304,200	10.39	210,960.64
NEXT	5,000 GALLONS		5,198,900	9.25	48,089.83
OVER	10,000 GALLONS		3,629,000	8.11	29,431.19
	Bulk Loading Station		18,939,700	5.75	108,903.28
ACTUAL COMMODITY SALES			37,838,900		
REVENUE REQUIREMENT					\$537,730.38

NOTICE

Corinth Water District has filed an application with the Public Service Commission to increase its rates for water service. The proposed effective date of the change is _____, 2003.

Monthly Rate:

<u>Current</u>			<u>Proposed</u>			<u>Rate</u>
First	1,000 Gallons	\$15.35	First	1,000	\$14.27	Minimum Bill
Next	4,000 Gallons	7.50	Next	4,000	10.39	per 1,000 gallons
Next	5,000 Gallons	5.15	Next	5,000	9.25	per 1,000 gallons
Over	10,000 Gallons	4.50	Over	10,000	8.11	per 1,000 gallons

	MONTHLY		MONTHLY	PERCENT
	BILL AT		BILL AT	INCREASE
MONTHLY	CURRENT		PROPOSED	OVER
<u>USAGE</u>	<u>RATE</u>		<u>RATE</u>	<u>CURRENT</u>
1,000	\$15.35		\$14.27	-7.04%
2,000	22.85		24.66	7.9%
3,800	36.35		43.36	19.3%
5,000	45.35		55.83	23.1%
10,000	71.10		102.08	43.6%
20,000	116.10		183.18	57.8%
30,000	161.10		264.28	64.0%
50,000	251.10		426.48	69.8%
75,000	363.60		629.23	73.1%
100,000	476.10		831.98	74.7%
150,000	701.10		1237.48	76.5%
200,000	926.10		1642.98	77.4%
300,000	1376.10		2453.98	78.3%

The rates contained in this notice are the rates proposed by the Corinth Water District. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the District office at 215 Thomas Lane in Corinth, KY 41010. Upon request from an intervenor, the District shall furnish to the intervenor a copy of the application and supporting documents.

CORINTH WATER DISTRICT
CORINTH, KENTUCKY
FINANCIAL STATEMENTS
December 31, 2002 and 2001

COPY

**CORINTH WATER DISTRICT
CORINTH, KENTUCKY
FINANCIAL STATEMENTS
December 31, 2002 and 2001**

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**CORINTH WATER DISTRICT
CORINTH, KENTUCKY
FINANCIAL STATEMENTS
December 31, 2002 and 2001**

Board of Commissioners

	<u>Term Expires</u>
<u>Chairman</u>	

Dan Field	07/31/06
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Treasurer

Donnie Dyer	06/21/03
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Secretary

Wanda Colson	06/20/04
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Legal Counsel

Ackman, Purcell, Lorenz

Independent Auditor's Report

**To the Board of Commissioners
Corinth Water District
P.O. Box 218
Corinth, Kentucky 41010**

We have audited the accompanying balance sheets of the Corinth Water District (District) as of December 31, 2002 and 2001 and the related statements of revenue, expenses and changes in retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, The District adopted the provisions of the Governmental Accounting Standards Board Statement No.33, *Accounting and Financial Reporting for Nonexchange Transactions*, during 2001.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corinth Water District as of December 31, 2002 and 2001, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Van Gorder, Walker & Company, Inc.
Covington, Kentucky
May 29, 2003

CORINTH WATER DISTRICT BALANCE SHEETS December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 51,738	\$ 62,232
Accounts receivable- customers	59,787	55,775
Inventories	5,490	4,652
Prepaid insurance	2,724	2,416
Total Current Assets:	<u>119,739</u>	<u>125,075</u>
Restricted Assets:		
Construction funds (note 3)	84,134	26,612
Sinking funds (notes 4 & 5)	32,194	30,872
Total Restricted Assets:	<u>116,328</u>	<u>57,484</u>
Utility Plant In Service (net of accumulated depreciation):		
Lines and equipment (note 6)	2,741,848	2,821,702
Construction in progress (note 7)	676,828	1,465
Total Utility Plant In Service (net of accumulated depreciation):	<u>3,418,676</u>	<u>2,823,167</u>
TOTAL ASSETS	<u>\$ 3,654,743</u>	<u>\$ 3,005,726</u>
LIABILITIES AND RETAINED EARNINGS		
LIABILITIES		
Current Liabilities		
Accounts payable - general	\$ 16,362	\$ 12,583
Current portion of lease obligation (notes 8 & 9)	37,000	35,000
Current portion of notes payable	15,842	13,455
Customer deposit	3,080	2,720
Withheld and accrued liabilities	7,969	6,705
Total Current Liabilities	<u>80,253</u>	<u>70,463</u>
Long-Term Debt		
Capital lease obligation (notes 8 & 9)	971,000	1,008,000
Water revenue bond series 1998 (note 10)	505,000	511,000
Note payable- tank payment (note 11)	3,744	10,838
Note payable- USDA- water revenue bond series 2002 (note 12)	485,000	-
Note payable- 2000 Chevy (note 13)	6,728	9,064
Total Long-Term Debt	<u>1,971,472</u>	<u>1,538,902</u>
TOTAL LIABILITIES	<u>2,051,725</u>	<u>1,609,365</u>
RETAINED EARNINGS		
Retained Earnings		
Unrestricted	1,486,690	1,338,877
Restricted	116,328	57,484
Total Retained Earnings	<u>1,603,018</u>	<u>1,396,361</u>
TOTAL RETAINED EARNINGS	<u>1,603,018</u>	<u>1,396,361</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 3,654,743</u>	<u>\$ 3,005,726</u>

See accompanying notes to financial statements.

CORINTH WATER DISTRICT STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS For the Years Ended December 31, 2002 and 2001
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	<u>2002</u>	<u>2001</u>
OPERATING REVENUES		
WATER SALES		
Water revenue	\$ 442,379	\$ 422,230
Forfeited discounts	13,800	14,638
Miscellaneous service revenues	<u>376</u>	<u>524</u>
TOTAL OPERATING REVENUES	<u>456,555</u>	<u>437,392</u>
OPERATING EXPENSES		
OPERATIONS AND MAINTENANCE EXPENSES		
Salaries and wages - employees	89,618	76,684
Salaries and wages - officer and directors	7,797	7,796
Employee benefits	8,855	7,544
Retirement benefits	4,036	-
Advertising	398	-
Bad debt expenses	4,688	2,569
Contractual services	21,075	16,959
Depreciation expenses	110,693	110,406
Education/training	831	1,129
Insurance expenses	7,129	6,350
Materials and supplies	13,830	10,063
Miscellaneous expenses	1,040	1,444
Purchased power	863	1,000
Purchased water	177,396	161,438
Taxes other than income taxes	8,013	7,301
Transportation expenses	<u>8,665</u>	<u>5,553</u>
TOTAL OPERATING EXPENSES	<u>464,927</u>	<u>416,236</u>
OPERATING INCOME	(8,372)	21,156
NON-OPERATING INCOME		
Interest income	1,168	2,850
Grant revenue	229,283	25,000
Tap-in fees	<u>72,225</u>	<u>17,511</u>
NON-OPERATING EXPENSES		
Interest expense	87,647	82,744
Loss on sale of fixed assets	<u>-</u>	<u>4,223</u>
NET INCOME (LOSS)	<u>206,657</u>	<u>(20,450)</u>
RETAINED EARNINGS, JANUARY 1	<u>1,396,361</u>	<u>1,416,811</u>
RETAINED EARNINGS, DECEMBER 31	<u>\$ 1,603,018</u>	<u>\$ 1,396,361</u>

See accompanying notes to financial statements.

CORINTH WATER DISTRICT STATEMENTS OF CASH FLOW For the Years Ended December 31, 2002 and 2001
--

	<u>2002</u>	<u>2001</u>
OPERATING ACTIVITIES		
Net income from operations	\$ (8,372)	\$ 16,933
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	110,693	110,406
Loss on sale of fixed asset	-	4,223
Change in operating assets and liabilities		
Decrease (Increase) in restricted cash	(58,844)	(48,240)
Decrease (Increase) in receivables	(4,012)	1,094
Decrease (Increase) in inventories	(838)	1,099
Decrease (Increase) in prepaid assets	(308)	28
Increase (Decrease) in accounts payable	3,779	(2,215)
Increase (Decrease) in withheld and accrued liabilities	1,264	62
Increase (Decrease) in customer deposits	360	(160)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>43,722</u>	<u>83,230</u>
INVESTING ACTIVITIES		
Interest on investments	1,168	2,850
Expenditures for construction and equipment	(706,201)	(25,947)
Contributions in aid of construction	301,507	42,510
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(403,526)</u>	<u>19,413</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest on long-term debt	(87,647)	(82,743)
Payments on long-term debt	(48,043)	(45,288)
Proceeds from new debt	485,000	11,065
NET CASH PROVIDED BY (USED IN) CAPITAL AND FINANCING ACTIVITIES	<u>349,310</u>	<u>(116,966)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(10,494)</u>	<u>(14,323)</u>
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>62,232</u>	<u>76,555</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 51,738</u>	<u>\$ 62,232</u>

See accompanying notes to financial statements.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2002 and 2001
--

Corinth Water District is a water utility, which provides service to residential and commercial customers in Grant and Harrison Counties in Kentucky. The District was created by the Grant County Court on January 11, 1965 under the provisions of chapter 74 of the Kentucky Revised Statutes ("KRS").

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Regulatory Requirements

The District is subject to the regulatory authority of the Kentucky Public Service Commission ("PSC") pursuant to KRS 278.040.

Basis of Accounting

The accrual basis of accounting is used for financial statement reporting purposes.

During 2001, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 33- *Accounting and Financial Reporting for Nonexchange Transactions*. This statement requires that capital contributions to the District be presented as a change in retained earnings.

The adoption of Statement No. 33 affected the classification of retained earnings in accordance with the statement and presentation of capital contributions as a change in retained earnings through the income statement. The financial statements for the year ended December 31, 2000 were restated to reflect the adoption of Statement No. 33. The retroactive effect of this change was to decrease the net loss for the fiscal year ended December 31, 2000 by \$14,403. Similarly, the accumulated deficit or retained earnings was adjusted to reflect the accumulated deficit at January 1, 2001 combined with the contributions in aid of construction balance.

Allowance for Bad Debts

The District uses the direct write-off method to account for bad debts. If they used the allowance method, there would be no significant variation in recognizing bad debt expense.

Cash Equivalents

For purposes of the statement of cash flows, the District considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined under the First-In, First-Out (FIFO) method. Market is determined on the basis of estimated realizable market values.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2002 and 2001
--

Income Tax Status

The District is exempt from federal and state income taxes since it is a political subdivision of the Grant County Court. Accordingly, the financial statements include no provision for income taxes.

Income Recognition

Income from the provision of water service is recognized when billed to customers. All customers are billed on a monthly basis. At year-end, water service income is accrued for unbilled water usage.

Purchased Water Costs

The District is dependent on the City of Williamstown as its sole supplier of water. During 1997 the District signed an agreement with the City of Williamstown to extend this water service agreement for the next 42 years.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – CASH AND INVESTMENTS

Deposits consist of checking and savings accounts. They are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet as “Cash and Cash Equivalents” and “Restricted Assets”. At December 31, 2002 and 2001, the bank balances were \$168,066 and \$119,716 respectively, which were the same as the carrying amount.

The District’s investment policy allows investments only in the form of savings accounts and certificates of deposit at local banks in Grant County, Kentucky.

The District’s funds are fully insured by the FDIC for amounts under \$100,000 per banking institution.

At December 31, 2002, the District held \$159,495 in various accounts at Eagle Bank, Williamstown, KY. The District obtained collateral to insure the amount in excess of the \$100,000 FDIC coverage.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2002 and 2001
--

NOTE 3 – RESTRICTED ASSETS – CONSTRUCTION FUNDS

During 2001, the District began accumulating its construction funds in anticipation of its tank project. The District allocated \$6,000 in tap-in fees, and received a contribution from the Grant County Fiscal Court in the amount of \$25,000. The contribution was received without stipulations or restrictions. The district expended \$3,500 for the purchase of land for the tank and \$1,465 for the site survey.

The project began during 2002, the District obtained a working loan to use until the bond proceeds were received. The working loan was paid in full on October 25, 2002. The remaining funds from the bonds payable were allocated to construction funds as were balances from grants received.

Total restricted assets for construction funds at December 31, 2002 and 2001 were \$84,134 and \$26,612 respectively.

**NOTE 4 – CORINTH WATER DISTRICT WATER REVENUE BOND AND INTEREST
SINKING FUND OF 1999**

Provisions of the water revenue bond of 1998, requires the District to maintain a sufficient portion of revenues in a fund to allow for payment of the principal and interest on all of said bonds, as and when same become due and payable. In order to comply with this requirement the District opened two bank accounts with Eagle Bank. One account is used as a Reserve fund and the other is used as a payment fund. Each month, the District deposits \$260 and \$3,000 in the accounts, respectively.

Total deposits to the reserve fund were \$3,120 plus interest of \$ 118. Total withdraws from the fund were \$4,508 for payment of a new computer. The balance in the reserve fund was \$8,360 and \$9,630 in 2002 and 2001, respectively.

Total deposits to the sinking fund were \$36,000 plus interest of \$145. Total withdraws for bond payments were \$33,672. The balance in the sinking fund was \$4,055 and \$1,582 in 2002 and 2001, respectively.

**NOTE 5 - RESTRICTED ASSETS- KENTUCKY ASSOCIATION OF COUNTIES
LEASING TRUST**

During 2000, the District opened a bank account with Eagle Bank to set aside monies for the principal and interest payments for the lease agreement with the Kentucky Association of Counties Leasing Trust. Each month the District deposits \$1,500 into the account. Total deposits were

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2002 and 2001
--

\$18,000 plus interest of \$119. Total withdraws were \$18,000 for loan payment. The balance in the account was \$19,779 and \$19,660 in 2002 and 2001, respectively.

NOTE 6 – UTILITY PLANT IN SERVICE

All property, plant and equipment including infrastructure assets are recorded at cost and depreciated over their estimated useful lives, using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss included in the results of operations.

Repair and maintenance charges, which do not increase the useful lives of the assets, are charged to income as incurred.

Interest incurred on construction funding during the period of construction is capitalized and added to the item under construction rather than charged to income as incurred.

	Useful Life	2001	Additions	Deletions	2002
Land & land rights	N/A	\$ 5,500	\$ -	\$ -	\$ 5,500
Structure & improvement	10-40 yrs.	75,950	-	-	75,950
Supply mains	40 yrs.	13,191	-	-	13,191
Distribution					
Reservoirs & standpipes	40 yrs.	165,446	-	-	165,446
Transmission & distribution mains	40 yrs.	2,769,988	14,532	-	2,784,519
Meters & installations	40 yrs.	423,281	11,799	-	435,080
Hydrants	40 yrs.	52,124	-	-	52,124
Office furniture & equip.	7-8 yrs.	8,557	4,508	-	13,065
Transportation equip.	5 yrs.	31,239	-	-	31,239
Tools & equipment	8 yrs.	2,673	-	-	2,673
Total		3,547,949	30,839	-	3,578,788
Less: Accum. Depreciation		(726,247)	(110,693)	-	(836,940)
Net Utility Plant in Service		\$ 2,821,702	\$ (79,854)	\$ -	\$ 2,741,848

Depreciation expense for 2002 and 2001 was \$110,693 and \$110,406, respectively.

NOTE 7 – CONSTRUCTION WORK IN PROGRESS

In 2001, the District began construction for a new water tank. Total expenditures during 2001 were \$1,465 for the site survey.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2002 and 2001
--

On June 12, 2002, the District submitted and received subsequent approval for a \$930,500 water expansion project. The project, Phase IV, Water System Expansion, consists of the installation of approximately 252,000 linear feet of 6 inch, 4 inch and 3 inch PVC water service lines and related appurtenances; and a 150,000 gallon water storage tank. The funding for this project is to be obtained from \$485,000 in Water Revenue Bonds, Series 2002, a U.S. Department of Agriculture, Rural Development grant of \$396,500 and District contribution of \$49,000. During 2002, the District expended \$675,363. Total construction in progress expenditures is \$676,828. The project is still on going.

NOTE 8 – ASSETS HELD UNDER CAPITAL LEASES

The District holds equipment under a capital sublease expiring January 20, 2019. The assets and liabilities under capital leases are recorded at the fair value of the assets. The assets are amortized over the expected useful life of the assets.

	2001			2002
	Balance	Additions	Deletions	Balance
Waterlines, Meters, & Hydrants	\$ 1,875,418	\$ -	\$ -	\$ 1,875,418
Steel Standpipe	124,837	-	-	124,837
Loading Stations	55,566	-	-	55,566
	<u>2,055,821</u>	<u>-</u>	<u>-</u>	<u>2,055,821</u>
Less: Accumulated Amortization	(533,155)	(51,395)	-	(584,550)
Balance at December 31,	<u>\$ 1,522,666</u>	<u>\$ (51,395)</u>	<u>\$ -</u>	<u>\$ 1,471,271</u>

The above cost of assets held under capital leases is included in Note 6 – Utility Plant in Service. Amortization of assets held under capital leases is included in depreciation expense for fixed assets.

NOTE 9 – CAPITAL LEASE OBLIGATIONS

The District is liable under a sublease agreement for equipment of which \$37,000 is a current obligation. The minimum future lease payments and present value of net minimum lease payments are as follows:

Total Minimum Lease Payments	\$ 1,510,998
Less: Imputed Interest and fees	<u>(539,998)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 971,000</u>

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2002 and 2001
--

Future minimum cash requirements are as follows:

<u>Year</u>		<u>Amount</u>
2003	\$	99,276
2004		98,793
2005		98,124
2006		98,321
2007		97,391
thereafter		1,019,093
Total	\$	<u>1,510,998</u>

NOTE 10 – WATER REVENUE BONDS SERIES 1998

On November 5, 1998, the District issued a water revenue bond in the amount of \$526,000. The interest rate is 4.75% per year. Interest is payable semi-annually on the first day of January and July each year. Principal installments mature 2001 through 2038. The first payments were due January 1, 2001.

The future minimum cash requirements for the next five years are as follows:

<u>Year</u>		<u>Amount</u>
2003	\$	29,510
2004		30,273
2005		29,988
2006		29,703
2007		30,418
thereafter		941,713
Total	\$	<u>1,091,605</u>

NOTE 11 – NOTE PAYABLE- TANK PAYMENT

During 1999 the District received a loan from Eagle Bank for repairs and maintenance to their water tank. The loan began on June 12, 1999 and matures on June 5, 2004. The original loan amount was \$32,000 and bears the interest rate of 7.2% per year. The loan is to be paid off in 60 monthly installments of \$637.19 each. Loan payments began July 15, 1999. There is no prepayment penalty and the loan is collateralized by account receivables, contracts and revenues of the Corinth Water District.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2002 and 2001
--

The future minimum cash requirements are as follows:

<u>Year</u>		<u>Amount</u>
2003	\$	7,646
2004		3,823
2005		-
2006		-
thereafter		-
Total	\$	<u>11,469</u>

NOTE 12 – NOTE PAYABLE- USDA- WATER REVENUE BOND SERIES 2002

On October 25, 2002, the District issued water revenue bonds in the amount of \$485,000. The interest rate is 4.625% per year. Interest is payable semi-annually on the first day of January and July each year. Principal installments mature in 2005 through 2042. The first payments are due January 2005.

The future minimum cash requirements for the next five years are as follows:

<u>Year</u>		<u>Amount</u>
2003	\$	0
2004		0
2005		27,231
2006		27,209
2007		27,178
Total	\$	<u>81,618</u>

NOTE 13- NOTE PAYABLE- 2000 CHEVY

During 2001, the District purchased a year 2000 Chevrolet S10 Truck. The District financed the truck through a loan received from The Huntington National Bank. The loan is dated November 14, 2001 and matures December 14, 2006. The original loan amount was \$11,065 and bears an interest rate of 8.30% per year. The loan is to be paid off in 60 monthly payments of \$228.92 each. Loan payments began December 14, 2001. The loan is collateralized by the Chevrolet S10 truck.

CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2002 and 2001

The future minimum cash requirements are as follows:

Year		Amount
2003	\$	2,747
2004		2,747
2005		2,747
2006		2,518
thereafter		0
Total	\$	<u>10,759</u>

NOTE 14 – RELATED PARTY TRANSACTIONS

A total of \$13,739 and \$5,775 for meter installations and line repairs were paid to the brother-in-law of one of the commissioners of the District during 2002 and 2001, respectively. Similarly, during 2002, \$174 was paid to the brother of one of the commissioners for meter testing.

NOTE 15- CREDIT RISK

Corinth Water District is a government agency operating with one office in Corinth, Kentucky. It grants credit to customers who are primarily local residents and businesses.

NOTE 16- SUBSEQUENT EVENTS

As of December 31, 2002, the District was a defendant in a lawsuit for a slip and fall accident that occurred at a water fill station located on Highway 330 in Corinth, KY. On March 20, 2003, the litigation was settled for the sum of \$15,000. This amount was covered by the District's insurance.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

To the Board of Commissioners
Corinth Water District
PO Box 218
Corinth, KY 41010

We have audited the financial statements of Corinth Water District, Corinth Kentucky, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Corinth Water District, Corinth, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. Noncompliance could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Corinth Water District, Corinth, Kentucky's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider being material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Van Gorder, Walker & Co., Inc.
Covington, KY
May 29, 2003

